

Message Text

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PAGE 01 KHARTO 02102 090808Z
ACTION AF-10

INFO OCT-01 NEA-11 ISO-00 EB-08 /030 W
-----048565 090847Z /20

R 090634Z MAY 78
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 7309
INFO AMEMBASSY BONN
AMEMBASSY JIDDA
USDOC WASHDC
AMEMBASSY KUWAIT

C O N F I D E N T I A L KHARTOUM 2102

USDOC FOR MEPD

E.O. 11652: GDS
TAGS: BENC, BEXP, ETRD, SU, SA
SUBJ: MAJOR PROJECT: PORT SUAKIN

REF: A) STATE 013056 (NOTAL), B) KHARTOUM 0642 (NOTAL),
C) STATE 95673, K) KHARTOUM 1748 (NOTAL)

1. FRG AMBASSADOR AT A RECENT SOCIAL OCCASION PROVIDED ECONCHIEF THE BEST EXPLANATION SO FAR AVAILABLE ON WHY AMERICAN FIRMS HAVE BEEN EXCLUDED FROM THE PORT SUAKIN PROJECT. THIS PORT WILL BECOME SUDAN'S PRINCIPAL PORT SUPPLEMENTING AND LARGELY REPLACING PORT SUDAN. THUS OVER NEXT 10-15 YEARS, WE EXPECT HUNDREDS OF MILLIONS OF DOLLARS TO BE SPENT FOR ITS DEVELOPMENT.

2. FRG AMBASSADOR SAID THAT GERMAN FIRM OF STRABAG-BAU (S-B) HAD ALREADY SIGNED WITH GOS 220 MILLION DOLLAR CONTRACT FOR ITS FIRST STAGE CONTINGENT ON SAUDI FINANCING. S-B'S SAUDI AGENT, TRIAD, REPORTEDLY HAS PROMISED THIS FINANCING AND S-B OFFICIALS WERE IN SAUDI ARABIA RECENTLY DISCUSSING CONTRACT TERMS AND COSTS. INVOLVEMENT OF TRIAD WITH ITS
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CONFIDENTIAL

PAGE 02 KHARTO 02102 090808Z

WORLD-WIDE REPUTATION PARTIALLY EXPLAINS WHY SUDANESE OFFICIALS HAVE NOT BEEN WILLING TO DISCUSS PROJECT.

3. MOST INTERESTING POINT, HOWEVER, IS MANNER IN WHICH COMPETITIVE BIDDING PROCEDURES WERE AVOIDED. ACCORDING TO SAME SOURCE, FRG ALREADY HAS COMMITTED DM 40 MILLION TO PORT-RELATED INFRASTRUCTURE QUOTE OUTSIDE THE GATE OF PORT

UNQUOTE AND HAS PROMISED AN ADDITIONAL DM 20 MILLION WHEN PROJECT FINANCING FINALLY ARRANGED. IN EFFECT, THERE IS STRONG APPEARANCE THAT ABOUT 30 MILLION DOLLARS OF OFFICIAL ASSISTANCE IS BEING USED TO PROCURE SEPARATE BUT RELATED MAJOR PROJECT FOR WEST GERMAN CONTRACTOR. THIS IS PRIME EXAMPLE OF THE TYPE OF INNOVATIVE FINANCING USED BY OUR COMPETITORS DESCRIBED IN OUR RESPONSE TO REQUEST FOR SUGGESTIONS FOR THE INTERAGENCY TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY. (SEE PARA 2 AND 3 OF REFTEL D.)

4. UNLESS SAUDI FINANCING FALLS THROUGH, WE SHOULD ADVISE AMERICAN COMPANIES THAT AT THIS TIME THAT PORT SUAKIN PROBABLY IS NOT A PROMISING TRADE OPPORTUNITY TO PURSUE. AS PREVIOUSLY REPORTED, IBRD FINANCING FOR PORT SUDAN DEVELOPMENT IS NOW ENTIRELY SEPARATE FROM SUAKIN PROJECT. BERGUS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PORTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 09 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KHARTO02102
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780195-1096
Format: TEL
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780579/aaaacpqx.tel
Line Count: 78
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7c902aa2-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 13056, 78 KHARTOUM 642
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2751307
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: PORT SUAKIN
TAGS: BENC, BEXP, ETRD, SU, SA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7c902aa2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014